

**Minutes of Meeting**  
**Health Services Council**  
**Project Review Committee-II**

**DATE: 10 January 2008**

**TIME: 2:30 PM**

**LOCATION: Executive Dining Room**  
**Department of Administration**

**ATTENDANCE:**

**Committee-II: Present: Victoria Almeida, Esq., (Vice Chair), Raymond C. Coia, Esq., Gary J. Gaube, Wallace Gernt, Sen. Catherine E. Graziano RN, Ph.D., Denise Panichas, Robert J. Quigley, DC, (Chair), Reverend David Shire (Secretary)**

**Not Present: Rosemary Booth Gallogly, Robert Hamel,**

**Staff: Valentina Adamova, Michael K. Dexter, Robert Marshall, PhD, Joseph G. Miller, Esq.,**

**Public: (Attached)**

**1. Call to Order, Approval of Minutes, Conflict of Interest Forms and Time Extension for the Minutes Availability**

**The meeting was called to order at 2:35 PM. The Chairman noted that conflict of interest forms are available to any member who may have a conflict. The Chairman requested a motion for the extension of time for the availability of minutes pursuant to the Open Meetings Act. A motion was made, seconded and passed by a vote of eight in favor and none opposed (8-0) that the availability of minutes for this meeting be extended beyond the time frame as provided for under the Open Meetings Act. Those members voting in favor were: Almeida, Coia, Gaube, Gernt, Graziano, Panichas, Quigley, Shire**

## **2. General Order of Business**

**The first item on the agenda was the application of GHC Holdings, LLC for change in effective control to operate three (3) nursing facilities: Kent Regency, a 153 bed nursing facility located at 600 Commonwealth Ave. Warwick; Grandview Center, a 72 bed nursing facility located at 100 Chambers St, Cumberland; and Grand Islander Center, a 148 bed nursing facility located at 333 Green End Ave., Middletown.**

**Gerry Goulet, legal counsel to the applicant, introduced the representatives of the applicant. George Hager, CEO of Genesis Holdings LLC, proceeded to describe the nature and structure of the proposed change in effective control. Among other items, he noted the recent (July 2007) change from a publicly held company (Genesis**

HealthCare) to the private owner (FC-GEN) and recent investments in the three facilities (approximately \$10 million). He noted that FC-GEN has committed to a before-lease payment amount of \$1,000 per bed, or approximately \$25 million and access to an equity account of \$100 million for further capital investments/improvements in the facilities.

Chairman Quigley asked if all these commitments were documented in the application, to which the applicant replied in the affirmative.

Mr. Gernt asked how many facilities the applicant owned and where and the total assets of the new company. The applicant owns 220 facilities in 13 states, with most in MA, MJ, WV and MD. The total assets are \$250 million.

Mr. Gaube asked about the source of capital for the operating and property owner companies. The applicant responded that General Electric Capital Corp is the primary source under a \$100 million capital expenditure model. In addition the applicant has a \$140 million line of credit; for a total of \$240 million.

Rev. Shire asked for clarification on the lower malpractice rates. The applicant responded that separating the facilities from the operation gives a lower asset base at risk—hence lower malpractice insurance costs. The applicant also “self insures” for the first \$20 million.

Rev. Shire asked why there were no costs displayed for physician

medical directors on the staffing table. The applicant said that medical director would be consultants, not employees, and shown on another table, but the operation would definitely have medical directors as required. Rev Shire asked for clarification on the amount and condition of the rentals for the facilities. The total amount of the rental fees is \$2.5 million a year; that amount would be paid to FC-GEN.

Mr. Gernt asked about the total assets of the company and the “debt ratio” taking into account all the lines of credit and other sources of capital. The applicant responded there will be virtually no debt involved in this process; only the lease obligations for the three facilities.

Mr. Gaube asked regarding the total amount involved in the overall acquisition of the Genesis company. The applicant responded that it was \$1.9 billion for the whole operation or about \$80,000 per bed in the facility portion.

Staff inquired if the \$1.9 billion minus the \$1.6 billion for the real estate netted out to be the approximate worth of the applicant company. The applicant said that other components were involved, such as the rehabilitation company, which alone is a \$300 million business.

A motion was made, seconded and approved by unanimous vote

**(eight in favor and none opposed) to recommend that the application be approved, including the usual conditions regarding discharge patient plans and culture change and that the full Council be provided with an advisory by the Office of Facilities Regulation prior to the Health Services Council meeting. The applicant agreed to all of the conditions of approval**

**The next item on the agenda was the application of Allegiance Hospice Care for initial licensure to establish a hospice program. Staff noted that the Committee was provided statements from VNA of Care New England and the responses from the applicant to items brought forward in those comments.**

**Stephen Zubiago, legal counsel to the applicant, introduced the other representatives of the applicant and distributed an outline of the applicant's presentation. The applicant proceeded to discuss the organizational background and the various elements of the presentation: licensure standards, financial viability, quality assurance and treatment of underserved populations.**

**Staff inquired regarding the various surveys to which the applicant referred in the presentation. The applicant said that 4 surveys took place in MA (2), NH and ME. Only the MA survey was a dual federal/state survey—the other were by state agencies alone on behalf of the federal government. Rev. Shire inquired about JCAHO and other accreditations. The applicants noted that these were not a**

requirement but they were exploring accreditation by JCAHO and/or CHAP. The Chairman and staff responded that accreditation was a requirement in RI as a condition of licensure. After some discussion, the applicant acknowledged and agreed to a JCAHO accreditation condition of licensure approval.

Rev. Shire questioned about the source of the funding for the project.

The applicant said that this included TD Bank One on the credit side and two institutions on the equity side. The total funding available is about \$5 million. In addition, there is a term loan available of \$740,000 with a 2010 pay down date. The applicant stated that the start-up costs of a hospice care program are about \$750,000, based on their experience.

Mr. Gaube asked about the investors' expectations concerning return on investment. The applicant said that this is not a loan and there is no guarantee of a set rate or amount—it is difficult to project. The investors do not have any management rights in the company. The applicant agreed to get back to the Council with more specific information about investors' expectations regarding "redemption rights".

Staff asked about the specific relationships in the company between the operators and the owners/investors. The applicant stated that they have a five-member Board of Directors, two of which are filled by independents and three by the two equity partners and Mr. Kane, the

**CEO and Chair of the Board. The two equity partners own about 30% each and the remainder is held by Mr. Kane, Angel Healthcare Investors and there is some retained stock. Staff asked if Mr. Kane would attend the next meeting; the applicant agreed.**

**Rev. Shire inquired regarding the reference to the RI Council of Churches in Attachment 7. The applicant stated that they typically reach out to such organizations regarding their hospice services, but haven't done so as yet. The same is also true of the RI Health Center Association (RIHCA), which represents 6 local neighborhood health centers in the Kent County area.**

**The Chairman asked how the applicant determined the need for the hospice care program. The applicant cited the general literature stating that about 60-70% of deaths could benefit from hospice services. In RI (2005) 4,173 people used hospice services out of approximately 10,000 deaths—again about 40%. This leaves a need of about 10-20%. At this point, staff reminded the group that while financial viability ultimately depends on need, this is an application for initial licensure and not a certificate of need.**

**Mr. Gaube asked how the investors were accounted for on the company financial statements. The applicant responded that they were listed as stockholder equity and contributed capital.**

**Ms. Panichas asked about previous hearing regarding hospice care in**

nursing homes, including such issues as continuity, coordination and responsibility for the patient. She asked that the committee review some of those previous minutes to revisit the discussion about need and impact on the not-for-profit sector in the state. The staff agreed to locate the previous examples for the next meeting.

The Chairman asked about problems with recruiting qualified staff and volunteers. The applicant said that they identified a RI-resident RN with hospice experience to take a leadership role. The Chairman asked, and the applicant agreed, to provide the qualification for this individual for the committee's review.

Ms. Almeida asked why the company focused on nursing homes and RI, ME and other places with high rates of poverty. The applicants said that part of the mission is to serve in areas where hospice is underutilized. About 40% of all deaths in RI occur in nursing homes—the highest in New England, indicating the need for services. The member also asked about how the applicant would reach out to the poor with charity care. The applicant referred to the RI Council of Churches and RIHCA outreach in the handout and proposal and noted that the company has never sent someone away who has sought hospice services.

The Chairman noted that there should be an appropriate, comprehensive outreach plan for the applicant organization—as the Council has required in several other instances.



**Sen. Graziano asked how successful the applicant has been convincing physicians that hospice service is a good thing. The applicant responded that physicians can be difficult to convince, but that Allegiance has been very successful with one-on-one education, physician-to-physician consultation and other approaches.**

**The Chairman asked that the applicant share the identity and qualifications of the RI-based medical director for the hospice at a later time; the applicant agreed. He also noted that the staff will provide additional questions for the applicant.**

**Hearing no further questions from the Committee, the Chair inquired about members of the public who wanted to comment on the application. Several individual representing the Alliance for Better Long Term Care; VNA of New England; Home and Hospice Care; Hospice and Nursing Placement and VNA RI requested an opportunity to speak. In the interest of the late hour, the Chairman permitted each to make a brief statement with the understanding that each of them would be permitted an opportunity to make a full statement at a future meeting. These individuals noted the recent increases in hospice providers, especially proprietary providers and that some hospices appear to target nursing facilities, including offering contracts to the nursing facilities. Following the brief statements the Chairman invited each speaker to return at a future meeting and noted that the applicant would have an opportunity to**

**respond to the various comments.**

### **3. Adjournment**

**There being no further business the meeting was adjourned at 4:17 PM.**

**Respectfully submitted,**

**Robert Marshall, PhD.**